

**The Effect of Company Growth and Leverage on Financial Performance in Manufacturing Companies in The Pulp and Paper Sub-Sector Listed On The Indonesia Stock Exchange for the Period 2021-2023**

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INDEXING	ABSTRACT
<p><b>Keywords:</b> Keyword 1; Company Growth Keyword 2; Leverage Keyword 3; Financial Performance Keyword 4; Manufacturing Companies Keyword 5; Pulp and Paper</p>	<p>A company's performance can be assessed through its financial performance. Financial performance is one of the important indicators to assess the success of a company. This research aims to determine the effect of Company Growth and Leverage on the Financial Performance of the Pulp and Paper Subsector Companies listed on the Stock Exchange, both partially and simultaneously. The research sample was obtained using purposive sampling techniques, resulting in 9 sample companies for the research period 2021-2023. The data techniques used include documentation, with data analysis techniques employing classical assumption tests and multiple linear regression, while hypothesis testing utilized t-tests and f-tests. The results show that company growth has a positive and significant effect on financial performance, while leverage has a negative and significant effect. Simultaneously, both affect financial performance, so the balance between business expansion and debt management is very important. Manufacturing companies in the pulp and paper subsector need to manage growth optimally and maintain a healthy capital structure to maintain stable and sustainable financial performance.</p>

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**INTRODUCTION**

A company's performance can be assessed through its financial performance. Financial performance is one of the important indicators to assess the success of a company. This performance reflects the company's ability to manage its business activities and the results obtained from those activities. The company's ability to generate profits is the main aspect in the evaluation of financial performance (Saputra et al., 2017).

The research conducted by Mira Munira, et al. (2020) on the stock price of paper companies listed on the Indonesia Stock Exchange (IDX) aims to determine the effect of Return on Equity (ROE) and Debt to Equity (DER) simultaneously and separately on the share price of paper companies on the Indonesia Stock Exchange (IDX). The results of data analysis show that ROE partially has no significant influence on stock prices, DER partially has a significant influence on stock prices. Simultaneously, ROE and DER have a significant influence on stock prices.

Financial statements are one of the main tools to assess a company's financial performance. Financial statement analysis provides an overview of the company's financial condition in a certain period. One of the important indicators of financial statements is the stock price, which reflects the success of the company's management and provides a signal for investors to invest capital.

In addition, financial performance is also closely related to the company's value, which reflects investors' views on the company's prospects and stability. A company's value is often measured through its stock price, which reflects the balance between supply and demand in the capital market. The higher the value of the company, the greater the confidence of investors to invest (Afrizal, 2012).

A company is established with the aim of achieving maximum profits or profits and optimizing the value of the company. This study, which was inspired by a previous study conducted by Candrawati, et al. (2021), aims to determine the financial performance of the Profitability Ratio and Growth Ratio in Pulp and Paper Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) by analyzing the company's Financial Statements.

In this study, financial ratios are used as a tool to predict financial performance, especially future profits. Information about financial statements is very important for various parties, both internal and external to the company, because it can help in strategic decision-making. One way to measure financial performance is to use Return On Asset (ROA). Therefore, financial performance is not only a reflection of the company's responsibility, but is also one of the keys to the success and sustainability of the business.

Company growth is an indicator or measure of how the company's development or growth is in a certain period. because Company Growth is expressed as the total growth of assets where past growth will reflect future profitability and future growth (Vuković et al., 2022). Therefore, growth is a change in total assets, both in the form of an increase and a decrease experienced by the company during a period (one year). The figures listed in the financial statements describe the company's performance and its management ability in managing the business (Purnama et al., 2020).

A company's financial performance affects a company's growth, which measures the extent to which the company can adapt within the entire economic system or within the same industry. For investors, the growth of a company indicates that there are favorable factors that can affect investment opportunities. This investment opportunity can provide a positive signal regarding the company's future growth potential, so that the company's financial performance can improve.

The results of the research conducted (Jonatan, 2018) which examined the absence of the influence of company growth on financial performance, but are not in line with the research conducted by (Hameed et al., 2024) which shows that there is an influence of company growth on financial performance. Therefore, this variable wants to look again at whether the company's growth has an effect on financial performance.

The leverage variable reflects a company's financial risk as it relates to its capital structure and ability to pay debt. The higher the company's leverage ratio, the greater the financial risk faced, so this is a major concern for debtors. Leverage refers to a company's ability to meet its financial obligations after the liquidation process, both

short-term and long-term (Salma & Riska, 2019).

The value of a company is influenced by the level of leverage it has. If leverage increases, it indicates that the investment risk is also getting higher, which has an impact on the value of the company. Given the inconsistencies in the results of previous studies, the researcher is interested in investigating further empirical findings related to financial ratios, particularly in relation to their ability to predict future profits. If the financial ratios in this study prove to be effective as a predictor of profit changes, then the results of the study will be useful information for users of financial statements. Conversely, if the ratio is not significant in predicting future changes in profits, the results of this study will strengthen the evidence of the consistency of previous findings.

## **LITERATURE REVIEW**

### **Company Growth**

According to Tulung and Ramdani (2018), company growth is the company's ability to increase its size through increased sales or assets, with the main difference being that asset growth reflects a longer period of time than sales growth, and investment in assets takes time before generating revenue. Utami added that a company's growth is measured through total assets, where changes in assets from the previous year reflect future profitability (Utami, 2018). Harjito and Martono stated that fast-growing companies tend to obtain positive results, such as increasing sales and strengthening their position in the era of competition (Harjito & Martono, 2016). Growth, as a change in total assets in a period, can provide positive signals regarding future investment opportunities, which contribute to increasing the value of companies in economic systems and similar industries.

### **Leverage**

Leverage is the amount of debt used by a company to finance or buy assets, where companies with debt greater than equity are categorized as companies with high leverage levels (Satriana, 2017). Leverage is divided into financial leverage, which indicates the level of use of debt and preferred shares in the capital structure, as well as operating leverage, which is related to fixed operating costs. According to Harahap (2015), leverage describes the relationship between debt and a company's capital, where the higher the leverage ratio, the greater the business risk, especially if fixed costs do not decrease when demand decreases. Companies with low leverage have less risk of losses when the economy declines, but also earn lower returns when the economy improves. Therefore, the decision to use leverage should consider the balance between risk and return.

### **The Influence of Company Growth on Financial Performance**

Companies with high growth rates, in conjunction with leverage, should use equity as a source of financing so that there is no agency cost between shareholders and the company's management, on the other hand, companies with low growth rates should use debt as a source of financing because the use of debt requires the company to pay interest regularly. The faster the company's growth, the greater the need for funds for expansion. The greater the need for future financing, the greater the company's desire to hold profits (Myers, 2003).

So a growing company should not share profits as dividends but rather use them for

expansion. This growth potential can be measured by the amount of research and development costs. The greater the R&D cost means that there is a prospect for the company to grow. In the study, Tumangkeng and Mildawati stated that company growth has a negative effect on performance, so the following hypotheses can be formulated:

H1: Company Growth Affects Financial Performance

H2: Leverage Affects the Company's Financial Performance

H3 : Company Growth and Leverage have a simultaneous effect on Financial Performance (Tumangkeng and Mildawati 2018).

## RESEARCH METHOD

This study uses a quantitative method with a descriptive approach to analyze the relationship between company growth and leverage on the financial performance of manufacturing companies in the pulp and paper sub-sector listed on the Indonesia Stock Exchange for the 2021-2023 period. Data was obtained through the documentation of the company's financial statements selected by purposive sampling technique, resulting in a sample of 9 companies. Data collection was carried out through documentation studies, interviews, and observations. Data analysis used classical assumption tests and multiple linear regression with the help of SPSS version 20.

## RESULT AND DISCUSSION

### Result

This study obtained data related to the research variables, namely company growth (X1), Leverage (X2), and Financial Performance (Y). The data presented below has been processed according to the indicators of each variable and obtained from the financial statements published by each company that was used as a sample in this study.

**Table 1. Financial Ratios and Financial Performance of Pulp and Paper Companies in 2021-2023**

CODE	YEAR	ROA	GROWTH	DER
ALDO	2021	3,14%	90,342	32,48
	2022	0,99%	357,998	67,92
	2023	0,13%	182,896	70,96
FASW	2021	0,81%	130.868	123,6
	2022	-1,80%	-424.378	120,96
	2023	-1,51%	-332.702	145,77
INKP	2021	1,51%	4.617.802	74,9
	2022	2,18%	22.114.981	59,88
	2023	0,91%	5.818.677	57,6
INRU	2021	-0,66%	-111.671	185,73
	2022	-6,11%	519.015	223,77
	2023	-2,17%	121.733	288,53
KDSI	2021	0,52%	-10.376	51,64
	2022	1,30%	-64.657	40
	2023	0,22%	-160.693	12,5
SPMA	2021	3,87%	58.633	35,14
	2022	2,77%	493.078	34,03
	2023	1,06%	64.691	27,31
SWATJK	2021	-10,49%	-89.394	129,14

	2022	-5,68%	-26.802	175
	20232	-1,65%	-24.049	194,44
TKIM	2021	2,30%	152.814	64,56
	20222	3,33%	10.124.592	46,47
	2023	1,07%	393.961	41,27
ASSA	2021	1,49%	143.636	203,08
	2022	-0,90%	1.236.490	164,34
	2023	-0,63%	67.361	151,51

Source: Investment Gallery, Faculty of Business Economics, University Brawijaya

## Classical Assumption Test Results

**Table 2 Kosmogorov-Smirnov Normality Test**

		Unstandardized Residual
N		9
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.06199827
Most Extreme Differences	Absolute	.209
	Positive	.148
	Negative	-.209
Kolmogorov-Smirnov Z		.660
Asymp. Sig. (2-tailed)		.777

Source: Primary Data Processed, 2025

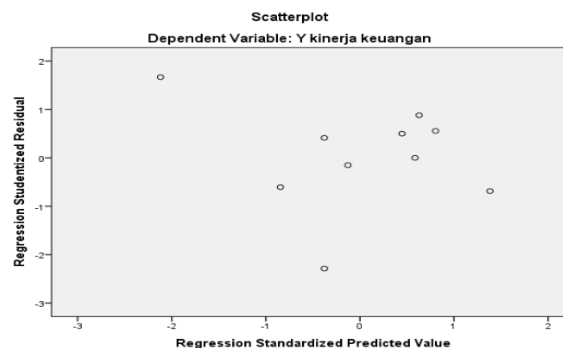
Table 2 shows that the value of Asymp. Sig. (2-tailed) (Pvalue)  $0.777 > 0.05$  means that in this study the variable data in this study is normally distributed.

**Table 3 Multicollinearity Test**

Type	Collinearity Statistics	
	Tolerance	VIF
Company Growth	0,913	1,095
Leverage	0,913	1,095

Source: Primary Data Processed, 2024

Table 3 shows that the tolerance value of the company's growth and leverage variables is greater than 0.1 and the VIF value is less than 10, so it can be concluded that there is no multicollinearity between variables.



**Figure 1. Heteroscedasticity Test**

*Source: Primary Data Processed, 2024*

Figure 1 above shows that the distribution of points in the plot does not indicate the existence of a particular pattern, so it can be said that the model is free from the assumption of heteroscedasticity.

### Multiple Linear Regression

**Table 4. Multiple Linear Regression**

Independent Variables	Regression Coefficients	t value	t table	Significance Levels	Information
Constant	0,034				
Company growth	0,247	3,579	2,364	0,011	Significance
Leverage	-0,496	-4,389	2,364	0,007	Significance

*Source: Primary Data Processed, 2024*

Based on table 4. The regression model can be determined as follows:

$$Y = a + bX_1 + bX_2 + e$$

$$Y = 0,034 + 0,247X_1 - 0,496X_2$$

- The regression coefficient of company growth (X1) from multiple linear calculations can be seen as 0.247. This means that the lower the company's growth, the lower the financial performance. The company's growth and financial performance have a positive relationship. If the company's growth increases, then financial performance will increase.
- The leverage regression coefficient (X2) of the multiple linear calculation can be seen as -0.496. With a calculated t value of -4.389 and a table t of 2.364, these results show that leverage has no significant influence on financial performance. This interpretation confirms that the use of higher leverage can negatively impact financial performance, as high debt ratios can increase the interest burden and financial risk of a company.

**Table 5 Determination Coefficient Results**

Type	R	R square	Adjusted R square
Company Growth	0,827	0,683	0,620
Leverage			

*Source: Primary Data Processed, 2025*

Table 5 shows the Rsquare value of the company's growth variable and leverage of 0.683. Based on this data, the percentage value of independent variables of company growth and leverage affects dependent variables of financial performance by 68.3%.

**Table 6 Results of the t test**

Independent Variables	Regression Coefficients	t value	t table	Significance Levels	Information
Constant	0,034				
Company growth	0,247	3,579	2,364	0,011	Significance
Leverage	-0,496	-4,389	2,364	0,007	Significance

*Source: Primary Data Processed, 2024*

The results of the t-test in Table 6 show that the company growth variable (X1) has a calculated t of 3.579 and t of the table of 2.364, so that H0 is rejected and H1 is accepted, which means that the company's growth has a real partial effect on financial performance (Y). Meanwhile, the leverage variable (X2) has a calculated t of -4.389 and a table t of 2.364, so H0 is rejected and H2 is accepted, indicating that leverage has no partial significant effect on financial performance. Increased leverage tends to lower financial performance because high debt ratios increase interest expense and financial risk, depending on debt management as well as economic and industrial conditions.

**Table 7 Simultaneous Test Results**

F value	F table
6,983	5,14

*Source: Primary Data Processed, 2024*

Table 7 shows the results obtained with a Ftable value of 5.14 while the Fcal is 6.983. Based on this data, it was found that  $F_{cal} > F_{table}$ , so H0 was rejected and H3 was accepted. This shows that the free variable has a significant simultaneous influence on the dependent variable (Y).

## **Discussion**

Based on the results of the research data that have been obtained and tested using SPSS 21 software, a discussion was obtained regarding the influence of company growth and leverage on financial performance in manufacturing companies in the pulp and paper sub-sector listed on the Indonesia Stock Exchange for the 2021-2023 period, which can be explained as follows:

### **Growth of the company to Financial performance**

The results of the H1 test show that there is a partial influence between the company's growth on financial performance, where the increase in the company's growth will also make financial performance increase. This is evidenced by the variable value of company growth (X1) obtained a calculated t value of 3.579 and a table t of 2.364. Based on this data  $t_{calculated} > t_{table}$ , then the hypothesis H0 is rejected and H1 is accepted. So it can be said that the company's growth variable (X1) has a real partial effect on the financial performance variable (Y).

The results of this study are relevant to the research conducted by MIRANDA (2021) with the title *The Effect of Corporate Social Disclosure Responsibility and Growth on the Financial Performance of Companies An Empirical Study on the Manufacturing Sector of the Pulp and Paper Subsector Listed on the Indonesia Stock Exchange for the 2015-2020 Period*. The results of the study show that CSR disclosure has a positive effect on financial performance, while company growth also has a significant effect.

In addition, research conducted by Wulandari and Rahmawati (2023) in the journal "The Influence of Company Growth and Company Size on Financial Performance". The study found that company growth has a significant effect on financial performance, which is measured using Return on Assets (ROA). This shows that companies with high growth rates tend to have better financial performance.

So based on the results of this study, it can be concluded that the lower the

company's growth, the lower the financial performance in this study.

### **Leverage on financial performance**

The results of the H2 test show that there is a partial negative influence between leverage on financial performance, where the increase in leverage will make financial performance more decreasing, because a high debt ratio can increase the company's interest expense and financial risk. However, if leverage is well managed, debt can be a tool for expansion and increase profitability in the long run. This is evidenced by the variable value of leverage (X2) obtained a calculated t value of -4.389 and a table t of 2.364. Based on this data,  $t < t_{table}$ , then the hypothesis H0 is rejected and H2 is accepted. Therefore, it can be said that the leverage variable (X2) has a significant partial effect on the financial performance variable (Y), so companies must balance their financial strategies so that the use of leverage continues to have a positive impact on financial growth and stability.

The results of this study are relevant to the research conducted by Pradana (2021) entitled Working Capital Analysis, Liquidity, and Leverage on Company Profitability: A Case Study on Pulp and Paper Manufacturing Companies in Indonesia. The results of the study show that working capital and liquidity have a positive effect on profitability, while leverage has a negative effect.

In addition, another study by Lestari and Dewi (2016) in the journal "The Effect of Financial Leverage on Financial Performance in Manufacturing Companies Listed on the Indonesia Stock Exchange" also supports this finding. They found that high leverage ratios can negatively impact a company's financial performance, particularly in terms of profitability.

So it can be concluded that the lower the leverage, the more financial performance in this study will increase. However, if leverage is well managed, companies can still leverage it for expansion and increase profitability in the long run. Therefore, a wise debt management strategy is a key factor in maintaining a company's financial balance and profitability.

### **Company Growth and Leverage on Financial Performance**

The results of the H3 test show that there is a simultaneous influence between the company's growth variables and leverage on financial performance. This is evidenced by the results obtained, namely the  $F_{table}$  value of 6.983 while the  $F_{cal}$  value is 5.14. Based on this data, it was found that  $F_{cal} > F_{table}$ , so H0 was rejected and H3 was accepted. This shows that the free variable has a significant simultaneous influence on the dependent variable (Y).

The results of this study are relevant to research according to Fitriyani and Ridwan (2020) with the title Factors Affecting Disclosure Obligations in Financial Statements: An Empirical Study on Pulp and Paper Companies Listed on the IDX. The results show that disclosure obligations are influenced by company size, complexity, and ownership. In addition, research conducted by Sari and Abundanti (2014) in the journal "The Influence of Company Growth and Leverage on Profitability and Company Value". The study found that company growth and leverage have a significant effect on the company's profitability and value. This shows that increasing the company's growth and proper leverage management can improve the company's financial performance. So it can be concluded that the financial performance in this study is influenced by several

factors, namely company growth and leverage.

## **CONCLUSION**

The results show that company growth has a positive and significant effect on financial performance, while leverage has a negative and significant effect. Simultaneously, both affect financial performance, so the balance between business expansion and debt management is very important. Manufacturing companies in the pulp and paper subsector need to manage growth optimally and maintain a healthy capital structure to maintain stable and sustainable financial performance.

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